



Generator Replacement Transfer Restriction Reform

Planning Advisory Committee

June 23, 2021

Executive Summary



Purpose:

Review Tariff redlines and feedback for
Generator Replacement Transfer Restriction
Reform Filing

Key Takeaways:

- Proposed revisions aim to relax the transferability restriction to better enable various funding arraignments for replacement generation
- No new edits have been made to Tariff language since previous PAC meeting
- All stakeholder feedback received was supportive of the filing.
- MISO expects to file by mid-July

Generator Replacement Overview

- Generator Replacement is a fuel-neutral process that's allows Generator Owners to transfer Interconnection Service from an existing Generating Facility to a new Generating Facility if there is no adverse material impact
- Replacement restrictions:
 1. Must be at the same Point of Interconnection. *GIP § 3.7.1(i)*
 2. Must be submitted at least one year in advance. *GIP § 3.7.1(ii)*
 3. no more than a 3-year “gap period” *GIP § 3.3.1*
 4. Anything not replaced must be retired. *GIP § 3.7.1(v)*
 5. Transfers or assignments prohibited beginning one year prior to replacement request and continuing until COD of Replacement Facility (unless replacement request is withdrawn). *GIP §§ 3.7.1 (vi); 3.7.5;*

Limitations on Transfers

- The GIP prohibits all transfers or assignments beginning 1 year before the request is submitted and continuing until COD of the replacement Generating Facility:
 - *“No request for Generating Facility Replacement may be made until twelve (12) months have elapsed from: (1) the date of any assignment of the Generator Interconnection Agreement applicable to the Existing Generating Facility, or (2) the date of sale or other transfer of such Existing Generating Facility...”*
 - *Once the request is submitted, “the Interconnection Customer shall not sell or otherwise transfer the Existing Generating Facility, the Replacement Generating Facility, nor assign the applicable [GIA]...”*
 - These restrictions expressly apply to affiliate transfers. *GIP 3.7.1(vi)*
- The transferability restrictions were required to address FERC concerns that the replacement process could become a mechanism for transferring the Interconnection Service from one entity to another entity to avoid the DPP, thus encouraging withdrawals and disrupting the queue positions of entities currently in the DPP.
 - Neither MISO’s filing nor the resulting order addressed project financing implications

Background of Proposal

- MISO has worked with numerous Interconnection Customers exploring use of the product under various commercial needs since 2019
- One recurrent desire was the ability to transfer the Replacement Generating Facility or assign the GIA to a holding company/special purpose entity in order to attract investment needed to fund the replacement generation.
- MISO currently cannot allow finance-enabling transfers because the Tariff prohibits all transfers of ownership or assignments.
- MISO does not believe that transfers to SPEs would raise the queue jumping concerns that necessitated the transfer restriction if the original Interconnection Customer maintains control and an ownership interest in the SPE through the process.
- MISO considered feedback from March IPWG and has made revisions to the proposed Tariff language consistent with the limited intent of the exception

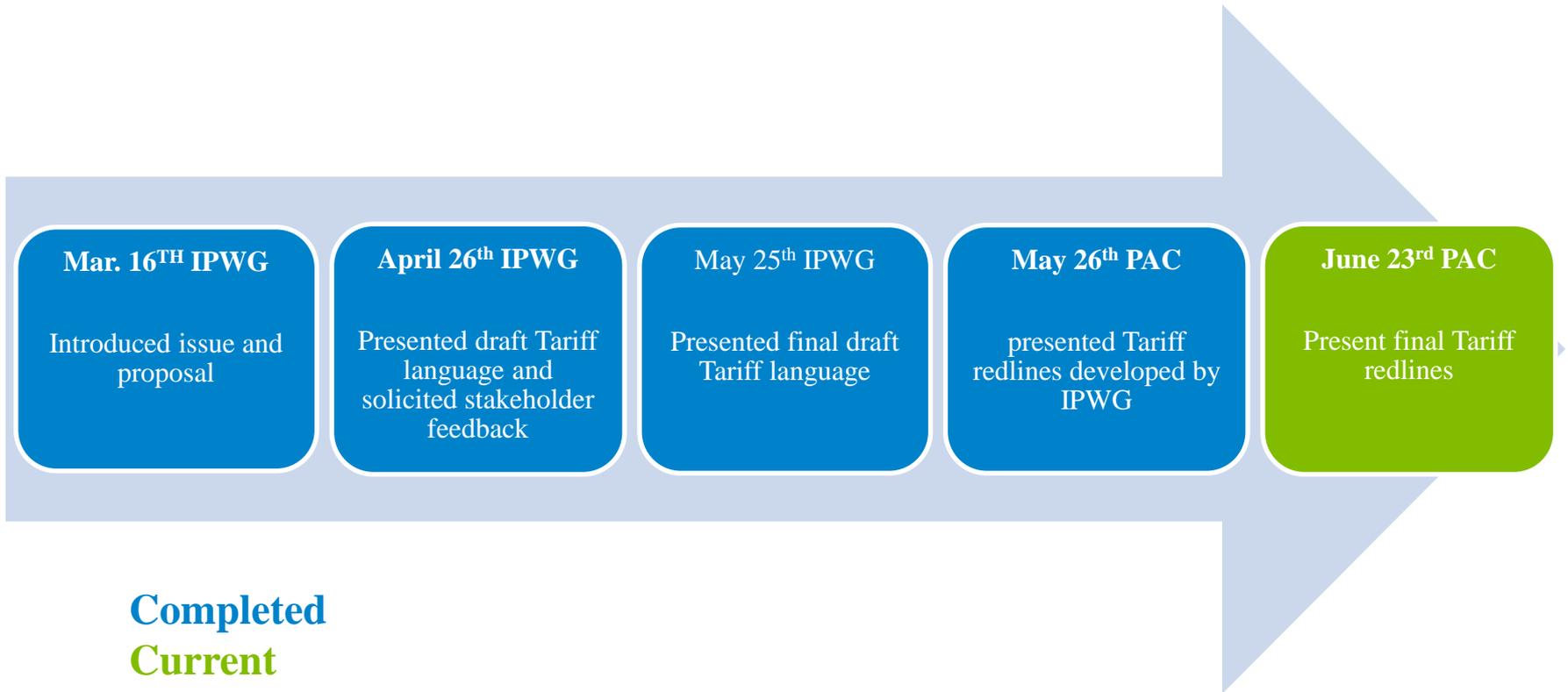
Revised Exception to Transferability Restriction

- MISO's proposal would allow Interconnection Customers undergoing the Generator Replacement process to transfer their Generating Facility and/or assign their GIA if:
 1. the Interconnection Customer retains the ability to direct the performance of the entity that owns the generating facility and a 25% ownership interest in the transferee entity.
 - Ownership can be demonstrated through liquidation value, stock interest, or by other generally accepted methods
 2. The transferee commits not to transfer the project further except as allowed by MISO's Tariff
 - Transferring partial ownership interests to investors or other companies allowed if the IC meets ownership and control requirements for ultimate transferee
 3. The Interconnection Customer commits to maintain the required ownership and control interests through the Commercial Operation Date.
 4. Assignment or transfer receives MISO's consent prior to becoming effective. MISO's consent would be intended to ensure Tariff compliance.
- Restrictions would be documented in the GIA for the Replacement Generating facility.
- IC can divide Replacement Generating Facility into multiple GIAs if no unit is fractional

Benefits of Proposal

- Proposal facilitates modernization of the generating fleet by removing obstacles to investment.
- Proposal strikes balance between preventing transfers that could disrupt the queue and allowing for flexibility in financing.
 - Approach allows multiple layers of entities if needed for commercial reasons, as long as ownership and control is established and maintained.
- Proposal contains safeguards that prevent misuse of the process for unauthorized transfers.
- Clear limitation on process, requirement of control, and MISO review prior to transfer becoming effective are more likely to allay concerns that process could be used other than as intended
 - Documentation of details of transfer enables MISO to monitor compliance

Stakeholder Discussions



Completed
Current

Feedback Received & Next Steps

- Several entities submitted comments after the May 26 PAC Meeting
 - All comments received were supportive
 - No further revisions to proposal were identified by stakeholders or made by MISO
- MISO currently is drafting a filing to implement proposed revisions.
 - MISO expects to make filing by mid-July
 - Filing will seek a 60 day effective date.



Questions?

Contact:

Ryan Westphal: rwestphal@misoenergy.org

Chris Supino: csupino@misoenergy.org